

DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

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TO : Secretary of State
NO : 597, April 15, 3 p.m.
SENT DEPARTMENT 507; REPEATED

Central File of Action
 Rec'd April 16 1964
 Action Office 5:00 p.m.
 Name of Officer _____
 Direction to DC/R _____

of Presidential office, stated yesterday Chen Cheng making serious effort get upper hand over Generalissimo by insisting strict budgetary procedure. In past, Generalissimo always got whatever funds he wanted by merely presenting checks. Chen has now stated everyone Taipei within budget including Generalissimo; if actually enforced would destroy one source of Generalissimo's power; [redacted] skeptical Chen can succeed. Chen also competing strongly with Generalissimo for military control, Generalissimo still on top. Struggle is perturbing to upper ranks. Han Ai-wu mentioned this struggle on April 13, obviously feeling it to be serious. | 301

said that when the Attaches made their recent trip to Hainan, he was suddenly despatched there, presumably to keep track of what was said and done; that Generalissimo backing Yu Han-mou who regarded as "more loyal" to him than Hsueh Yueh; that Generalissimo does not trust Cantonese troops who predominate on Hainan and, therefore, will permit only very small stocks to be maintained Hainan; Hsueh has eighteen divisions, but average number troops between 4,000 and 5,000 per division (Hsueh drawing for 140,000 troops); that eight divisions used solely to check interior Communists, thus defenders against sea attack very thinly spread; that morale Hainan has improved slightly as result series minor victories but soldiers known ammunition supply very low, frequent attacks using it up, and each attack three times as strong as previous one; that Communists do control ports on Hainan coast

added that Generalissimo continues in old policy of divide and rule; his dominating idea is to retain control until third world war arrives within few months, at which time US will have to aid Nationalist Government headed by him; Secret Service provides much of information Generalissimo relies on but ex-ct yore tells him what he wants to hear.

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-2- #597, April 15, 3:15 p.m., from Taipei.

Hsueh Yueh has ideas of invading Kwangtung if holds Hainan another two months, but Generalissimo will not permit it since he himself must command any return; Generalissimo will never permit Sun Li-jen to have real power.

[REDACTED] informed me in utmost confidence that Chinese Government intercepting official mail, in fact one letter addressed to an American citizen in Haichang is to be considered "lost". [REDACTED] has seen it, knew its contents, asked me whether it was legitimate, and said he had argued long and hard that our mail should not be tampered with. I promised that his confidence would be guarded (Strong). | 30/ (6) | "

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MAH:HJC

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